

INSTRUCTIONS FOR THE PREPARATION OF
ALABAMA DEPARTMENT OF REVENUE
**Alabama Initial Medical Cannabis
Privilege Tax Return**

THE MPT-IN IS TO BE FILED ELECTRONICALLY THROUGH THE MEDICAL CANNABIS LICENSE SYSTEM UPON FINAL APPROVAL OF THE MEDICAL CANNABIS LICENSE.

Section 20-2A-80, Code of Alabama 1975, commencing January 1, 2022, requires newly licensed medical cannabis entities (categories of cultivator, processor, dispensary, secure transporter, and testing laboratory, or integrated facility) to file an Initial Medical Cannabis Privilege Tax Return and to pay the privilege tax reported on the return upon approval of the license but no later than two and one-half months after date of licensing or commencement of business in Alabama, whichever occurred first.

Preparation Instructions:

Registration and filing of the initial Medical Cannabis Privilege tax return (MPT-IN) will be submitted to the Alabama Department of Revenue (ALDOR) electronically through the Alabama Medical Cannabis Commission's Licensing application upon the issuance of the medical cannabis license.

The following information will be pre-populated from the information provided on the Medical Cannabis License application.

• **Legal Name of Business Entity** – the legal name of the business entity. Do not enter the owner's name or "doing business as" name.

• **Taxpayer Business Type** – Select the type of taxpayer. (i.e., Corporation (C or S), Partnership, LLE Taxed as Corporation, etc.)

• **Federal Tax Identification Number/Social Security Number** – The taxpayer's Federal Employer Identification Number (FEIN) is required to complete Form MPT-IN. If the business is a "Sole Proprietorship" and a FEIN will not be assigned to the taxpayer, check the box (FEIN Not Required), and provide the taxpayer's Social Security Number. Single member limited liability companies should NOT use their owner's FEIN or Social Security Number.

• **Federal Business Code Number (NAICS)** – the Federal Business Activity Code Number to be reported on the taxpayer's federal income tax return. The federal activity codes are based on the North American Industry Classification System (NAICS). NAICS information is available on the U.S. Census Bureau's website (www.census.gov) or by contacting the U.S. Census Bureau (800-923-8282).

• **Secretary of State Entity ID Number** – The entity ID number is obtained from the Alabama Secretary of State's website www.sos.alabama.gov or by contacting the Secretary of State's office at (334) 242-5324. For example, if the Alabama Secretary of State's Office has assigned a domestic limited liability company the file number of DLL 999-999-999, the last nine digits of the entity ID number (999999999) would be entered.

• **Date of Qualification, organization, or Incorporation** – The date the entity was incorporated or organized in Alabama. If the entity was organized outside the State of Alabama, enter the date the entity qualified with the Secretary of State to do business in Alabama.

• **Contact Person** – Enter the name of the person who can answer questions concerning the preparation of the Initial Medical Cannabis Privilege Tax filing.

• **Taxpayer's E-mail Address** – Enter the entity's e-mail address.

• **Contact Person's Phone Number** – Enter the telephone number of the person who can answer questions concerning the preparation of this form.

• **Type of License Issued** – This is the type of license issued by the Alabama Medical Cannabis License Commission.

• **License Date** – the date the entity was licensed by the Medical Cannabis Commission.

• **Mailing Address** – Enter the taxpayer's mailing address or street address.

• **Family LLE Election Indicator** – Check the box if electing to file as a Family LLE. The Family Limited Liability Election must be made annually on or before the due date, including extensions, in accordance with Section 40-14A-1(h)(2), Code of Alabama 1975. Single-member LLCs that are treated as a disregarded entity for federal income tax purposes do not qualify as an electing family limited liability entity, in accordance with Section 40-14A-1(h), Code of Alabama 1975.

Medical Cannabis Privilege Tax (MPT) Account:

Once approved and the Medical Cannabis License is issued, ALDOR will receive the registration information and the MPT-IN return from Alabama Medical Cannabis Commission's license application. A MPT account will be issued to the taxpayer. The account number will be provided in a letter notifying the taxpayer of a Sign-On ID and an Access Code for My Alabama Taxes (MAT). MAT is ADOR's online filing and payment system. All future annual MPT returns are required to be filed electronically through MAT.

Contact the Business Privilege Tax Section (334-242-1170, option 8) for any questions regarding the Medical Cannabis Privilege Tax.

Computation of the Medical Cannabis Privilege Tax Due:

The initial Medical Cannabis Privilege tax will be calculated and transmitted by the licensing application upon the issuance of the Medical Cannabis License. The Medical Cannabis Tax Calculation Worksheet provided on page 4, along with line-by-line instructions beginning on page 2 can be utilized as a guide to prepare for completing the tax form online.

Payment of the tax may be made electronically at the time of filing. If payment is to be made by check or money order, it should be submitted with a completed payment voucher (MPT-V) by the payment due date which is two and one-half months following the issuance of the license. The MPT-V can be downloaded from the Department's website at www.revenue.alabama.gov.

If the Alabama Medical Cannabis Privilege Tax is paid after the payment due date, late payment penalty and interest will be due.

Late Payment Penalty – The penalty for failure to timely pay the tax shown due on the return, as specified in Section 40-2A-11, Code of Alabama 1975. The penalty for failure to timely pay the amount of tax shown due on an Alabama Medical Cannabis Privilege Tax Return equals to 1% of the amount of tax shown due on the return for each month the tax is unpaid – no to exceed 25% of the amount shown due on the return.

Interest due – Interest is due on any Medical Cannabis Privilege Tax that remains unpaid as of the payment due date. Section 40-1-44(a), Code of Alabama 1975, specifies the interest rate to be used in computing the amount of interest due (Section 40-1-44 references Internal Revenue Code Section 6621 for the interest rates to be used for underpayments).

Part A – Net Worth Computation:

I. Corporations & Entities Taxed as Corporations

Line 1. Enter the total amount of the taxpayer's capital stock and additional paid in capital, but not less than zero. The amount must not be reduced for any treasury stock owned by the corporation.

Line 2. Enter the amount of Retained Earnings, but not less than zero. Include any amounts designated for the payment of dividends until the amounts are definitely and irrevocably placed to the credit of the stockholders, subject to withdrawal on demand. If the taxpayer does not issue stock or if the taxpayer is either a business trust or a limited liability entity taxed as a corporation for federal tax purposes, enter the book value of the taxpayer's assets minus liabilities, but not less than zero.

Line 3. Enter the gross amount of related party debt exceeding the total of the amounts entered on line 1 and line 2, as required by Section 40-14A-23, *Code of Alabama 1975*. This amount will be added to the amounts on line 1 and line 2 in arriving at the taxpayer's net worth. Related parties are defined in Section 40-14A-1, *Code of Alabama 1975*, as any member of a controlled group of corporations as defined by Internal Revenue Code Section 1563. The definition of related parties also includes any limited liability entity that would be a member of a controlled group if rules similar to Section 1563 were applied to limited liability entities. Note: The amount entered on line 3 must not be less than zero. Individual shareholders are not considered related parties. Related party debt and related party receivables **are not netted** in any circumstances. Exempt payables are defined as stated in Section 40-14A-23(e)(2)(b). They include trade debt, accounts payable, or deposit liabilities to related parties that are doing business in Alabama. Non-Exempt payables are all other related party debts.

Line 4. For the determination period, enter the excess amount (the amount in excess of \$500,000 for each shareholder) of compensation or similar amounts paid to (or accrued as a liability to) certain direct or indirect shareholders, as defined in Section 40-14A-23, *Code of Alabama 1975*. This amount will be added to lines 1, 2, and 3, in arriving at the taxpayer's net worth. Section 40-14A-23(f), *Code of Alabama 1975*, should be referred to for a more thorough explanation of this adjustment.

Line 5. For the determination period, enter the excess amount (the amount in excess of \$500,000 for each shareholder) of compensation or similar amounts paid to (or accrued as a liability to) certain direct or indirect shareholders, as defined in Section 40-14A-23, *Code of Alabama 1975*. This amount will be added to lines 1, 2, and 3, in arriving at the taxpayer's net worth. Section 40-14A-23(f), *Code of Alabama 1975*, should be referred to for a more thorough explanation of this adjustment.

Line 6. Total Net Worth – Enter the sum of lines 1 through 5.

II. Limited Liability Entities (LLEs)/General Partnerships

Line 7. Enter the total amount of the partner/member capital accounts, but not less than zero.

Line 8. Enter the excess amount (the amount in excess of \$500,000 for each partner/member) of compensation, distributions or similar amounts paid to (or accrued as a liability to) certain direct or indirect partners/members during the determination period, as defined in Section 40-14A-23, *Code of Alabama 1975*. This amount will be added to the amounts entered on lines 7 and 9, in arriving at the taxpayer's net worth. Section 40-14A-23(f), *Code of Alabama 1975*, should be referred to for a more thorough explanation of this adjustment.

Line 9. Enter the gross amount of related party debt exceeding line 7, as required by Section 40-14A-23, *Code of Alabama 1975*. This amount will be added to the amount on line 7 in arriving at the taxpayer's net worth. Related parties are defined in Section 40-14A-1, *Code of Alabama 1975*, as any member of a controlled group of corporations as defined by Internal Revenue Code Section 1563. The definition of related parties also includes any limited liability entity that would be a member of a controlled group if rules similar to Section 1563 were applied to limited liability entities. Note: The amount entered on line 9 must not be less than zero. Individual shareholders are not considered related parties. Related party debt and related party receivables **are not netted** in any circumstances. Exempt payables are defined as stated in Section 40-14A-23(e)(2)(b). They include trade debt, accounts payable, or deposit liabilities to related parties that are doing business in Alabama. Non-Exempt payables are

all other related party debts.

Line 10. Total Net Worth – Enter the sum of lines 7 through 9.

III. Disregarded Entities/Individuals/Other Entities

Line 11. Enter the name and Federal Employer Identification Number (FEIN) or Social Security Number (SSN) of the single member of the disregarded entity.

Line 12. If the taxpayer is a disregarded entity that has as its single member a taxpayer that IS subject to the Alabama Medical Cannabis Privilege Tax, then the disregarded entity pays only the minimum tax. Enter \$100, the amount of the minimum Medical Cannabis Privilege Tax, in Part B, line 12. The form can then be completed from that point, in accordance with the instructions for this form. The name and FEIN of the single member must be provided on line 11, or the form will be considered incomplete.

Line 13. If the taxpayer is a disregarded entity that has as its single member a taxpayer that IS NOT subject to the Alabama Medical Cannabis Privilege Tax, then the disregarded entity must compute its own net worth, and pay the Alabama Medical Cannabis Privilege Tax accordingly. Enter the amount the taxpayer's assets exceed its liabilities, but not less than zero. The name and FEIN/SSN of the single member must be provided on line 11, or the form will be considered incomplete. A statement must be attached to the Medical Cannabis Privilege Tax Return explaining why the owner is not subject to the Alabama Medical Cannabis Privilege Tax.

Line 14. Enter the gross amount of related party debt exceeding the amount entered on line 13, as required by Section 40-14A-23, *Code of Alabama 1975*. This amount will be added to the amount on line 13 in arriving at the taxpayer's net worth. Related parties are defined in Section 40-14A-1, *Code of Alabama 1975*, as any member of a controlled group of corporations as defined by Internal Revenue Code Section 1563. The definition of related parties also includes any limited liability entity that would be a member of a controlled group if rules similar to Section 1563 were applied to limited liability entities. Note: The amount entered on line 14 must not be less than zero. Individual shareholders are not considered related parties. Related party debt and related party receivables **are not netted** in any circumstances. Exempt payables are defined as stated in Section 40-14A-23(e)(2)(b). They include trade debt, accounts payable, or deposit liabilities to related parties that are doing business in Alabama. Non-Exempt payables are all other related party debts.

Line 15. Enter the excess amount (the amount in excess of \$500,000 for the owner) of compensation, distributions or similar amounts paid to (or accrued as a liability to) certain direct or indirect owners during the determination period, as defined in Section 40-14A-23, *Code of Alabama 1975*. This amount will be added to the amounts entered on lines 13 and 14, in arriving at the taxpayer's net worth. Section 40-14A-23(f), *Code of Alabama 1975*, should be referred to for a more thorough explanation of this adjustment.

Line 16. Total Net Worth – Enter the sum of lines 13 through 15 and go to Part B, line 1.

Part B – Privilege Tax Exclusions:

Exclusions are allowed by Section 40-14A-23(g), *Code of Alabama 1975*. Attach documentation supporting any exclusion claimed on the return.

Line 1. Enter the Total Net Worth from line 6, 10, or 16, Part A.

Line 2. Enter the total book value amount for the investment the taxpayer has in the equity of other taxpayers. Attach a listing providing for each separate investment, the name of the taxpayer, the taxpayer's FEIN, the taxpayer's address and the book value of the investment. This exclusion is not available for the book value of securities (as defined in Internal Revenue Code Section 1236) primarily for sale to customers in the ordinary course of its trade or business.

Line 3. Enter the amount reported on the taxpayer's balance sheet for the unamortized portion of goodwill and core deposit intangibles that resulted from a direct purchase of another corporation or limited liability entity. For goodwill, attach a listing showing for each direct purchase the goodwill originally

acquired, the date the direct purchase occurred, accumulated amortization, the name and location of the business acquired, and the name and FEIN of the entity that acquired the business and goodwill.

Line 4. Enter the amount reported on the taxpayer's balance sheet for the unamortized portion of post-retirement benefits, which the taxpayer elected to amortize under Financial Accounting Standards Board (FASB) Statement Number 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. The statement was issued in December 1990, and focuses principally on postretirement health care benefits. The supporting documentation should include a description of benefits, amortization schedule, and the line detail of the post-retirement benefits on the balance sheet.

Line 5. Total Exclusions – Enter the total of lines 2 through 4.

Net Worth Apportionment

Line 6. Net Worth Subject to Apportionment – Enter the difference between line 1 (Total Net Worth) and line 5 (Total Exclusions).

Line 7. Alabama Apportionment Factor as of the Date of License – Initial Alabama Medical Cannabis Privilege Tax Returns require an apportionment factor. The computation of the apportionment factor for an initial return is to be performed as of the opening of business or the first day the taxpayer is licensed, whichever occurs first. The ratio of Alabama sales to total sales should be used as the apportionment factor for initial returns. Section 40-14A-24(a), *Code of Alabama 1975*, establishes the net worth apportionment requirements for the Alabama Medical Cannabis Privilege Tax.

Line 8. Total Alabama Net Worth – Multiply line 6 (Net Worth Subject to Apportionment) by line 7 (Apportionment Factor).

Line 9a. Federal Taxable Income Apportioned to AL – Multiply federal taxable income (from federal tax form) by line 7 (Apportionment Factor).

Line 9b. Tax Rate – The tax rate is variable, see table at bottom of form.

Line 10. Gross Privilege Tax Calculated – Multiply line 8 (Taxable Alabama Net Worth) by line 9b (Tax Rate).

Example:

Line 8. Total Alabama Net Worth \$1,000,000
Line 9b. Tax Rate 00025
Line 18. Gross Privilege Tax Calculated \$250

Line 11. Ratio of Days Remaining in the Tax Year Divided by 365 – Enter the ratio of the number of days remaining in the calendar year or, if different, the number of days remaining in the taxpayer's taxable year, divided by 365. This ratio will allow the Medical Cannabis Privilege Tax to be prorated to the short taxable year.

Line 12. Privilege Tax Due – Multiply line 10 (Gross Tax Due) by line 11 (Ratio of Days Remaining in Taxable Year), but not less than \$100, the minimum amount of the tax.

Maximum Privilege Tax:

C-corporations and LLEs taxed as corporations have a \$15,000 maximum levy for the Alabama Medical Cannabis Privilege Tax. See Section 40-14A-22, *Code of Alabama 1975*.

S-corporations, LLEs, and Disregarded Entities have a \$15,000 maximum levy for the Alabama Medical Cannabis Privilege Tax. See Section 40-14A-22(d), *Code of Alabama 1975*.

LLEs meeting the definition of "electing family limited liability entity" as stated in Section 40-14A-1, *Code of Alabama 1975*, have a maximum levy for the Alabama Medical Cannabis Privilege Tax of \$500.

Minimum Privilege Tax:

Section 40-14A-22(c), *Code of Alabama 1975*, establishes a minimum Medical Cannabis Privilege Tax levy of \$100 for C-corporations, LLEs taxed as corporations, insurance companies, REITs, S-corporations, LLEs, and Disregarded Entities – even for business privilege tax years that are short years.

Medical Cannabis Tax Calculation worksheet – Initial Return Calculation

(This is not a return, the return is required to be submitted online through the Medical Cannabis Registration System)

Part A – Net Worth Computation. Complete I, II or III only.

I. Corporations & Entities Taxed as Corporations

1. Issued capital stock and any additional paid in capital, but without reduction for treasury stock	1	
2. Retained earnings, but not less than zero, including dividends payable. For LLC's taxed as corporations and non-stock issuing entities such as business trusts, enter assets minus liabilities	2	
3. Gross amount of related party debt exceeding the sum of lines 1 and 2	3	
4. For C corporations, all payments for compensation or similar amounts in excess of \$500,000	4	
5. For S corporations, all payments for compensation, distributions or similar amounts in excess of \$500,000	5	
6. Total net worth (add lines 1 - 5 and go to Part B, line 1.)	6	

II. Limited Liability Entities (LLE's)/General Partnerships

7. Sum of the partners'/members' capital accounts, but not less than zero	7	
8. All compensation, distributions, or similar amounts paid to a partner/member in excess of \$500,000	8	
9. Gross amount of related party debt exceeding the amount of line 7	9	
10. Total net worth (add lines 7, 8 and 9 and go to Part B, line 1.)	10	

III. Disregarded Entities/Individuals/Other Entities

11. Single Member Name: _____ FEIN/SSN: _____

12. If a disregarded entity has as its single member a taxpayer that is subject to the Medical Cannabis Privilege Tax, then the disregarded entity pays the minimum tax.

(Go to Part B, line 12.)

13. Assets minus liabilities (attach documentation) Complete only if single member is not subject to Medical Cannabis Privilege Tax	13	
14. Gross amount of related party debt exceeding the amount on line 13	14	
15. All payments for compensation, distributions, or similar amounts in excess of \$500,000	15	
16. Total net worth (add lines 13, 14, and 15 and go to Part B, line 1.)	16	

Part B – Privilege Tax Exclusions

Exclusions (Attach supporting documentation)

1. Net worth from Part A – line 6, 10, or 16	1	
2. Book value of the investments by the taxpayer in the equity of other taxpayers	2	
3. Unamortized portion of goodwill and core deposit intangibles resulting from a direct purchase	3	
4. Unamortized balance of properly elected post-retirement benefits pursuant to FASB 106	4	
5. Total exclusions (sum of lines 2 - 4)	5	
6. Net worth subject to apportionment (line 1 less line 5)	6	
7. Alabama Apportionment Factor as of date of license	7	_____ %
8. Total Alabama net worth (multiply line 6 by line 7)	8	
9a. Federal Taxable Income Apportioned to AL	9a	
9b. Tax rate	9b	
10. Gross privilege tax calculated (multiply line 8 by line 9b)	10	
11. Ratio of the days remaining in the Tax year divided by 365	11	
12. Privilege Tax Due (multiply line 10 by line 11) (minimum \$100, for maximum see instructions)	12	

Part B, Line 9b Tax Rate –			
The tax rate is specified in Section 40-14A-22(b), <i>Code of Alabama 1975</i> , and is determined using the following table:			
Federal Taxable Income Apportioned and Allocated to Alabama			
More Than or Equal to	But Less Than	Tax Rate	Amount of tax per \$1,000 of Taxable Alabama Net Worth
—	\$ 1	.00025	\$.25 per \$1,000
\$ 1	\$ 200,000	.00100	\$ 1.00 per \$1,000
\$ 200,000	\$ 500,000	.00125	\$ 1.25 per \$1,000
\$ 500,000	\$ 2,500,000	.00150	\$ 1.50 per \$1,000
\$ 2,500,000	—	.00175	\$ 1.75 per \$1,000